

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

| | | |
|-------|---|---------------------|
| <010> | Study Area Code | 371540 |
| <015> | Study Area Name | DILLER TEL CO |
| <020> | Program Year | 2018 |
| <030> | Contact Name: Person USAC should contact with questions about this data | Loren Duerksen |
| <035> | Contact Telephone Number: Number of the person identified in data line <030> | 4027935330 ext. |
| <039> | Contact Email Address: Email of the person identified in data line <030> | lorend@diodecom.net |
| | Form Type | 54.313 and 54.422 |

| | | |
|-------|---|---------------------|
| <010> | Study Area Code | 371540 |
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| <020> | Program Year | 2018 |
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No

Page 2

**(300) Unfulfilled Service Request
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

| | | |
|-------|---|---------------------|
| <010> | Study Area Code | 371540 |
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| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |

<300> Unfulfilled service request (voice)

0

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband)

0

<330> Detail on attempts (broadband)

Name of Attached Document

| | | |
|-------|--|--|
| <010> | Study Area Code | 371540 |
| <015> | Study Area Name | DILLER TEL CO |
| <020> | Program Year | 2018 |
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| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |
| <400> | Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. | |
| <410> | Complaints per 1000 customers for fixed voice | Offered only fixed voice 0 . 0 |
| <420> | Complaints per 1000 customers for mobile voice | |
| <430> | Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. | |
| <440> | Complaints per 1000 customers for fixed broadband | Offered only fixed broadband 1 . 89 |
| <450> | Complaints per 1000 customers for mobile broadband | |

| | | |
|-------------------------------|--|---------------------|
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| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4027935330 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |
| <500> | Certify compliance with applicable service quality standards and consumer protection rules | Yes |
| 371540neServiceQuality510.pdf | | |
| <510> | Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance | |
| <515> | Certify compliance with applicable minimum service standards | |

| | | |
|--|--|---|
| (600) Functionality in Emergency Situations | | FCC Form 481 |
| Data Collection Form | | OMB Control No. 3060-0986/OMB Control No. 3060-0819 |
| | | July 2013 |

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| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4027935330 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |
| <600> | Certify compliance regarding ability to function in emergency situations | Yes |
| <610> | Descriptive document for Functionality in Emergency Situations | 371540neEmergencyCertification610.pdf |

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| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |

| | | |
|-------|--|----------|
| <701> | Residential Local Service Charge Effective Date | 1/1/2017 |
| <702> | Single State-wide Residential Local Service Charge | 19.95 |

[illegible]

| | | |
|-------|---|---------------------|
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| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |

-- See attached worksheet --

**(800) Operating Companies
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

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| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4027935330 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |
| <810> | Reporting Carrier | Diller Telephone Company |
| <811> | Holding Company | DTC Holding Company |
| <812> | Operating Company | Diller Telephone Company |

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

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| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4027935330 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |

<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

| Select Yes or No or Not Applicable |
|--|
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**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

FCC Form 481

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| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance

Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance

Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

FCC Form 481

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| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |

<1100> Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

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| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP diodecom.net/telephone

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒
- <1222> Details on the number of minutes provided as part of the plan, ☒
- <1223> Additional charges for toll calls, and rates for each such plan. ☒

(2005) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

- <2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing
Required Information

Name of Attached Document Listing
Required Information

(2005) Price Cap Carrier Additional Documentation

FCC Form 481

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Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

| | | |
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Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

| | | | |
|--|--|--|--|
| (3009) | Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii) | | |
| | | Yes - Attach Certification | |
| (3010A) | Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)} | | |
| (3010B) | Please Provide Attachment | Name of Attached Document Listing Required Information | 371540nePublicInterest3010B.pdf |
| (3012A) | Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)} | No - No New Community Anchors | |
| (3012B) | Please Provide Attachment | Name of Attached Document Listing Required Information | |
| (3013) | Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)} | (Yes/No) | <input checked="" type="radio"/> <input type="radio"/> |
| (3014) | If yes, does your company file the RUS annual report | (Yes/No) | <input type="radio"/> <input checked="" type="radio"/> |
| Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: | | | |
| (3015) | Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers) | | <input type="checkbox"/> |
| (3016) | Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows | | <input type="checkbox"/> |
| (3017) | If the response is yes on line 3014, attach your company's RUS annual report and all required documentation | Name of Attached Document Listing Required Information | |
| (3018) | If the response is no on line 3014, is your company audited? | (Yes/No) | <input type="radio"/> <input checked="" type="radio"/> |
| If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains: | | | |
| (3019) | Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers | | <input type="checkbox"/> |
| (3020) | Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows | | <input type="checkbox"/> |
| (3021) | Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit. | | <input type="checkbox"/> |
| If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains: | | | |
| (3022) | Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers | | <input checked="" type="checkbox"/> |
| (3023) | Underlying information subjected to a review by an independent certified public accountant | | <input checked="" type="checkbox"/> |
| (3024) | Underlying information subjected to an officer certification. | | <input checked="" type="checkbox"/> |
| (3025) | Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows | | <input checked="" type="checkbox"/> |
| (3026) | Attach the worksheet listing required information | Name of Attached Document Listing Required Information | 371540ne3026.pdf |

REDACTED - FOR PUBLIC INSPECTION**(3005) Rate Of Return Carrier Additional Documentation (Continued)**

FCC Form 481

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July 2013

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| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |

Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends

| | | |
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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

**Certification - Reporting Carrier
Data Collection Form**

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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

| Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients | |
|---|--------------------------------|
| I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate. | |
| Name of Reporting Carrier: | |
| Signature of Authorized Officer: | Date |
| Printed name of Authorized Officer: | |
| Title or position of Authorized Officer: | |
| Telephone number of Authorized Officer: | |
| Study Area Code of Reporting Carrier: | Filing Due Date for this form: |
| Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001. | |

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|---|--|
| Certification - Agent / Carrier Data Collection Form | FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013 |
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TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

| Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier | |
|--|--|
| I certify that (Name of Agent) <u>Consortia Consulting</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate. | |
| Name of Authorized Agent: | Consortia Consulting |
| Name of Reporting Carrier: | DILLER TEL CO |
| Signature of Authorized Officer: | CERTIFIED ONLINE Date: 06/16/2017 |
| Printed name of Authorized Officer: | Loren Duerksen |
| Title or position of Authorized Officer: | General Manager |
| Telephone number of Authorized Officer: | 4027935330 ext. |
| Study Area Code of Reporting Carrier: | 371540 Filing Due Date for this form: 07/03/2017 |
| Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001. | |

TO BE COMPLETED BY THE AUTHORIZED AGENT:

| Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier | |
|--|--|
| I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate. | |
| Name of Reporting Carrier: | DILLER TEL CO |
| Name of Authorized Agent Firm: | Consortia Consulting |
| Signature of Authorized Agent or Employee of Agent: | CERTIFIED ONLINE Date: 06/16/2017 |
| Name of Authorized Agent Employee: | Judy Christiansen |
| Title or position of Authorized Agent or Employee of Agent | Consultant |
| Telephone number of Authorized Agent or Employee of Agent: | 4028181322 ext. |
| Study Area Code of Reporting Carrier: | 371540 Filing Due Date for this form: 07/03/2017 |
| Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001. | |

Attachments

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|---|--|
| (700) Price Offerings including Voice Rate Data Data Collection Form | FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013 |
|---|--|

July 2013

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|-------|--|----------|
| <701> | Residential Local Service Charge Effective Date | 1/1/2017 |
| <702> | Single State-wide Residential Local Service Charge | 19.95 |

[illegible]

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| (710) Broadband Price Offerings Data Collection Form | FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013 |
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|-------|---|---------------------|
| <010> | Study Area Code | 371540 |
| <015> | Study Area Name | DILLER TEL CO |
| <020> | Program Year | 2018 |
| <030> | Contact Name - Person USAC should contact regarding this data | Loren Duerksen |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4027935330 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | lorend@diodecom.net |

[illegible]

FCC Annual Reporting Requirement for ETCs
Service Quality Standards and Consumer Protection Rules
January 1, 2015 -2016

Diller Telephone Company

1. The Diller Telephone Company (Diller) has been providing high quality service in southeast Nebraska since 1899. This includes compliance with evolving service quality standards and consumer protection rules.
2. Diller follows and has procedures and policies in place to meet applicable requirements of the Nebraska Public Service Commission (NPSC), Title 291, NPSC Telecommunications Rules and Regulations, Chapter 5 section 002 Local Exchange Service. Diller's management team, plant supervisors, plant technicians, and customer service representatives have the training, experience, equipment, processes and other resources necessary to comply with these requirements. The index of these comprehensive NPSC requirements is provided on the immediately following pages. The complete text of these rules and regulations, covering approximately fifty pages, will be provided upon request or can be viewed and downloaded using the following link http://www.psc.state.ne.us/rules/rules_telecom.pdf.

Excerpt of Index for FCC Form 481

EFFECTIVE DATE: July 22, 2013

LAST ISSUE DATE: April 2, 2012

TITLE 291 - NEBRASKA PUBLIC SERVICE COMMISSION

CHAPTER 5 - TELECOMMUNICATIONS RULES AND REGULATIONS

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a.

Excerpt of Index for FCC Form 481

EFFECTIVE DATE: July 22, 2013

LAST ISSUE DATE: April 2, 2012

TITLE 291 - NEBRASKA PUBLIC SERVICE COMMISSION

CHAPTER 5 - TELECOMMUNICATIONS RULES AND REGULATIONS

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b.

Diller Telephone Company
Ability to Remain Functional in Emergency Situations

1. Diller Telephone Company (DTC) has been providing high quality service in Nebraska since 1899. This includes operating in adverse conditions including blizzards, ice storms, thunderstorms, tornadoes and during prolonged power outages. DTC's management team, plant supervisors, plant technicians and customer service representatives have the training, experience and equipment necessary to respond to, manage and operate in emergency situations.
2. Diller Telephone Company follows applicable Rural Utilities Service (RUS) Telecommunications program practices and guidelines including the Telecommunications Engineering and Construction Manual (TE&CM) and other industry standards available to small telecommunications carriers. Diller Telephone Company also meets the requirements of the Nebraska Public Service Commission (NPSC) as applied to local exchange service.

3. Back-Up Power

3.1. Central Office

3.1.1. Diller Telephone Company maintains storage batteries in each central office designed to provide a minimum reserve capacity consistent with RUS TE&CM 1751E-302, Power Requirements for Digital Central Office Equipment. 1751E-302 paragraph 2.3.4 recommends a minimum reserve capacity of 8 hours, or 3 hours if the central office is equipped with an emergency standby generator. This is consistent with Title 291, NPSC Telecommunications Rules and Regulations, Chapter 5, paragraph 002.05 Emergency Operations and Power.

3.1.2. Diller Telephone Company maintains a dedicated standby generator fueled with natural gas at each central office location. The standby unit is equipped with an automatic transfer switch so that in the event of an interruption of the commercial electric power lasting more than a few minutes, the standby generator starts automatically and provides electrical power to the central office equipment, air conditioning and building lighting. The automatic transfer switch also exercises the standby unit periodically and an alarm indication is sent if the standby generator does not start so that telecommunications personnel can perform proactive maintenance.

Diller Telephone Company
Ability to Remain Functional in Emergency Situations

3.2. Remote Equipment Cabinets

3.2.1. Where electronic equipment in cabinets located remotely from the central office, is used to provide service, the cabinets are equipped with batteries designed to operate for a minimum of eight hours without commercial electrical power. In addition, Diller Telephone Company maintains portable AC standby generators for use in the event of prolonged commercial power interruptions and the cabinets are equipped with external receptacles to facilitate connection to portable generators.

3.3. Optical Network Terminations (ONT's)

3.3.1. Where Fiber-to-the-Premises (FTTP) technology has been deployed the ONT's are powered by micro-uninterruptable power supplies (UPS) located on the customer premises and powered from the customer's commercial electrical power. The UPS batteries are specified for a minimum of eight hours of reserve capacity. The FTTP electronics system monitors the ONT's and notifies DTC's maintenance personnel when any ONT's batteries are no longer capable of holding the charge required for the designed battery reserve capacity so that DTC can work with the customer to replace the UPS batteries. DTC also maintains a cache of UPS's for routine and emergency replacement.

4. Rerouting Traffic around Damaged Facilities

4.1. In the event of damage to cable facilities owned by Diller Telephone Company, our maintenance personnel would restore service using emergency splice kits kept on hand for these types of service disruptions. If the damaged facilities are not owned by Diller Telephone Company we would work with the carrier directly affected to identify the source of disruption and the estimated amount of time before service is restored.

4.2. Diller Telephone Company currently has diverse toll routes in service. Both routes are used to support toll calling as well as critical circuits such as 911 trunks and SS7 A-links. Every effort is made to groom the circuits over the diverse toll routes so that a single outage does not isolate customers from critical services.

Diller Telephone Company
Ability to Remain Functional in Emergency Situations

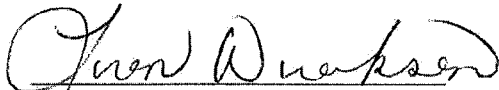
- 4.3. In the event of an extended outage, contact would be made with another service provider which has a separate, physical cable connection with DTC to provision temporary alternate routes supporting originating and terminating toll calls. Emphasis would first be placed on establishing connections to nearby PSAP, law-enforcement and emergency services.

5. Managing Traffic Spikes

- 5.1. Diller Telephone Company meets Title 291, NPSC Telecommunications Rules and Regulations, Chapter 5, paragraph 002.12 Dial Service Objectives for sufficient central office capacity and equipment during the "...average busy hour-busy season..."
- 5.2. Diller Telephone Company follows applicable RUS practices 522 and 322 when specifying, administrating, and assigning facilities within its control (as opposed to facilities ordered by connecting interexchange carriers).
- 5.3. The Genband C15 soft switch in service in Diller will provide performance up to 250,000 Busy Hour Call Attempts (BHCA) of which we are currently operating at 3931 BHCA in Diller. The backplane is non-blocking and will allow 24 DS-0's of traffic to be passed per DS-1 port. The C15 controllers are completely duplicated for reliability. When traffic volumes greatly exceed specified criteria and additional capacity of the switch or connecting facilities, the Genband C15 continues to process calls but with potentially longer waiting times for dial tone, higher post-dialing delays and a higher probability of callers receiving all trunks busy indications (fast busy) and having to redial calls. Depending on the magnitude and duration of extreme peak demand, DTC would examine alternatives such as provisioning additional facilities and work with connecting carriers to expedite additional capacity.

Certification

Diller Telephone Company certifies that the carrier has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of 10 Mbps downstream/ 1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to reasonably comparable offerings in urban areas, and that requests for such services are met within a reasonable amount of time. See 47 C.F.R. 54.313(f)(1)(i).



Loren Duerksen, General Manager

REDACTED - FOR PUBLIC INSPECTION

REDACTED - FOR PUBLIC INSPECTION

FCC Form 481 – Line 3026

Officer Certification of Financial Statements

Diller Telephone Company

I certify that I am an officer of the reporting carrier. I hereby certify that that Diller Telephone Company is not audited in the ordinary course of business. I, also, certify that the reported data in the attached financials, along with the underlying information, has been subjected to a review by an independent certified public accountant. As an officer of the company, I certify to the best of my knowledge and belief, that the information reported is accurate.

Loren Durksen
Signature

June 15, 2017
Date

Loren Durksen
Name

General Manager
Title

REDACTED - FOR PUBLIC INSPECTION

DILLER TELEPHONE COMPANY

FINANCIAL STATEMENTS

December 31, 2016 and 2015



STRAIN SLATTERY BARKLEY & CO., CPAs, P.C.

7130 South 29th Street, Suite F • Lincoln, Nebraska 68516-5841

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**DILLER TELEPHONE COMPANY
FINANCIAL STATEMENTS
December 31, 2016 and 2015**

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STRAIN SLATTERY BARKLEY & CO., CPAs, P.C.

Shareholders:

James R. Slattery, CPA
Shaun A. Barkley, CPA, CMA
Laura J. Lawrence, CPA
Edward A. Bates, CPA
Rachel B. Ficek, CPA

Director:

William V. Strain, CPA/ABV, CVA

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Diller Telephone Company
Diller, Nebraska

We have reviewed the accompanying financial statements of Diller Telephone Company (an S corporation), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, changes in stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Strain Slattery Barkley & Co., CPAs, P.C.

Lincoln, Nebraska
May 16, 2017

REDACTED - FOR PUBLIC INSPECTION

EXHIBIT A
DILLER TELEPHONE COMPANY
BALANCE SHEETS
December 31, 2016 and 2015

| | 2016 | 2015 |
|--|---------------|---------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ [REDACTED] | \$ [REDACTED] |
| Accounts receivable: | | |
| Subscribers (net of allowance for bad debts of [REDACTED]) | [REDACTED] | [REDACTED] |
| Other | [REDACTED] | [REDACTED] |
| Materials and supplies | [REDACTED] | [REDACTED] |
| Prepayments | [REDACTED] | [REDACTED] |
| Current portion of notes receivable | [REDACTED] | [REDACTED] |
| <u>Total current assets</u> | [REDACTED] | [REDACTED] |
| Property, plant and equipment: | | |
| Plant in service | [REDACTED] | [REDACTED] |
| Plant under construction | [REDACTED] | [REDACTED] |
| Less accumulated depreciation | [REDACTED] | [REDACTED] |
| <u>Net property, plant and equipment</u> | [REDACTED] | [REDACTED] |
| Noncurrent assets: | | |
| Investments at cost | [REDACTED] | [REDACTED] |
| Investments at fair value | [REDACTED] | [REDACTED] |
| Notes receivable | [REDACTED] | [REDACTED] |
| <u>Total noncurrent assets</u> | [REDACTED] | [REDACTED] |
| <u>Total assets</u> | \$ [REDACTED] | \$ [REDACTED] |

See independent accountant's review report and accompanying notes to financial statements.

REDACTED - FOR PUBLIC INSPECTION

EXHIBIT A
DILLER TELEPHONE COMPANY
BALANCE SHEETS - Continued
December 31, 2016 and 2015

| | 2016 | 2015 |
|---|---------------|---------------|
| <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ [REDACTED] | \$ [REDACTED] |
| Other | [REDACTED] | [REDACTED] |
| Advance billings | [REDACTED] | [REDACTED] |
| Accrued taxes | [REDACTED] | [REDACTED] |
| Current maturities of long-term debt | [REDACTED] | [REDACTED] |
| <u>Total current liabilities</u> | [REDACTED] | [REDACTED] |
| Long-term liabilities: | | |
| Loan payable to United States Department of Agriculture | [REDACTED] | [REDACTED] |
| Deferred compensation | [REDACTED] | [REDACTED] |
| <u>Total long-term liabilities</u> | [REDACTED] | [REDACTED] |
| <u>Total liabilities</u> | [REDACTED] | [REDACTED] |
| Stockholder's equity: | | |
| Common stock, [REDACTED] par value, [REDACTED] shares authorized, [REDACTED] shares issued and outstanding | [REDACTED] | [REDACTED] |
| Accumulated other comprehensive income | [REDACTED] | [REDACTED] |
| Retained earnings | [REDACTED] | [REDACTED] |
| <u>Total stockholder's equity</u> | [REDACTED] | [REDACTED] |
| <u>Total liabilities and stockholder's equity</u> | \$ [REDACTED] | \$ [REDACTED] |

See independent accountant's review report and accompanying notes to financial statements.

EXHIBIT B
DILLER TELEPHONE COMPANY
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|--|---------------|---------------|
| Operating revenue: | | |
| Basic local network services | \$ [REDACTED] | \$ [REDACTED] |
| Network access services | [REDACTED] | [REDACTED] |
| Miscellaneous | [REDACTED] | [REDACTED] |
| Uncollectible revenue | [REDACTED] | [REDACTED] |
| <u>Total operating revenue</u> | [REDACTED] | [REDACTED] |
| Operating expenses: | | |
| Plant specific operations | [REDACTED] | [REDACTED] |
| Plant nonspecific operations | [REDACTED] | [REDACTED] |
| Depreciation and amortization | [REDACTED] | [REDACTED] |
| Customer operations | [REDACTED] | [REDACTED] |
| Corporate operations | [REDACTED] | [REDACTED] |
| <u>Operating expenses before taxes</u> | [REDACTED] | [REDACTED] |
| Other operating taxes | [REDACTED] | [REDACTED] |
| <u>Total operating expenses</u> | [REDACTED] | [REDACTED] |
| <u>Operating income</u> | [REDACTED] | [REDACTED] |
| Nonoperating income and expense - net | [REDACTED] | [REDACTED] |
| <u>Net income</u> | [REDACTED] | [REDACTED] |
| Other comprehensive income (loss): | | |
| Unrealized holding gains arising during period | [REDACTED] | [REDACTED] |
| Reclassification adjustment for gains included in net income | [REDACTED] | [REDACTED] |
| <u>Total other comprehensive income (loss)</u> | [REDACTED] | [REDACTED] |
| <u>Comprehensive income</u> | \$ [REDACTED] | \$ [REDACTED] |

See independent accountant's review report and accompanying notes to financial statements.

REDACTED - FOR PUBLIC INSPECTION

EXHIBIT C
DILLER TELEPHONE COMPANY
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2016 and 2015

| | Total | Retained Earnings | Accumulated Other Comprehensive Income | Common Stock |
|---|---------------|----------------------|---|-----------------|
| Balance, January 1, 2015 | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] |
| Comprehensive income (loss): | | | | |
| Net income | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Other comprehensive loss: | | | | |
| Unrealized gains on securities, net of reclassification adjustment | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Comprehensive income (loss)</u> | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Distributions paid | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Balance, December 31, 2015</u> | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Comprehensive income: | | | | |
| Net income | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Other comprehensive income: | | | | |
| Unrealized gains on securities, net of reclassification adjustment | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Comprehensive income</u> | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Distributions paid | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Balance, December 31, 2016</u> | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] |

See independent accountant's review report and accompanying notes to financial statements.

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**EXHIBIT D
DILLER TELEPHONE COMPANY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Net income | \$ [REDACTED] | \$ [REDACTED] |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | [REDACTED] | [REDACTED] |
| Interest and dividends reinvested | [REDACTED] | [REDACTED] |
| Gain on donation of stock | [REDACTED] | [REDACTED] |
| Noncash contribution of stock | [REDACTED] | [REDACTED] |
| Net investment gain not using cash | [REDACTED] | [REDACTED] |
| (Increase) decrease in: | | |
| Accounts receivable | [REDACTED] | [REDACTED] |
| Prepayments | [REDACTED] | [REDACTED] |
| Increase (decrease) in: | | |
| Accounts payable | [REDACTED] | [REDACTED] |
| Advance billings | [REDACTED] | [REDACTED] |
| Accrued taxes | [REDACTED] | [REDACTED] |
| Deferred compensation | [REDACTED] | [REDACTED] |
| <u>Net cash provided by operating activities</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | [REDACTED] | [REDACTED] |
| Proceeds from sale of property, plant and equipment | [REDACTED] | [REDACTED] |
| Repayment of note receivable | [REDACTED] | [REDACTED] |
| Purchase of investments | [REDACTED] | [REDACTED] |
| Proceeds from redemptions of investments | [REDACTED] | [REDACTED] |
| <u>Net cash used by investing activities</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> |
| Cash flows from financing activities: | | |
| Payment of long-term debt | [REDACTED] | [REDACTED] |
| Cash distributions paid | [REDACTED] | [REDACTED] |
| <u>Net cash used by financing activities</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> |
| <u>Net decrease in cash and cash equivalents</u> | <u>[REDACTED]</u> | <u>[REDACTED]</u> |
| Cash and cash equivalents, beginning of year | [REDACTED] | [REDACTED] |
| <u>Cash and cash equivalents, end of year</u> | <u>\$ [REDACTED]</u> | <u>\$ [REDACTED]</u> |

See independent accountant's review report and accompanying notes to financial statements.

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DILLER TELEPHONE COMPANY NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of business – Diller Telephone Company (the Company) provides communications service over a wireline network to approximately [REDACTED] subscribers in southeastern Nebraska and northeastern Kansas.

Basis of presentation – The accounting policies of the Company conform to generally accepted accounting principles and reflect practices appropriate to the telephone industry as prescribed by the Federal Communications Commission (FCC) in Part 32 – Uniform System of Accounts.

Cash and cash equivalents – Cash equivalents are highly liquid investments with insignificant interest rate risk and maturities of three months or less and are stated at amounts that approximate fair value, based on quoted market prices. Cash equivalents consist principally of investments in interest-bearing demand deposit accounts with financial institutions and highly liquid debt securities of corporations and the U.S. Government.

Accounts receivable – Accounts receivable are stated at cost less an allowance for bad debts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for bad debts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions. Accounts receivable over 90 days old totaled [REDACTED] as of December 31, 2016.

Inventories are stated at the lower of cost or net realizable value, using the first-in, first-out (FIFO) method. Perpetual records are maintained on accountable inventories and adjusted periodically to physical counts.

Property, plant and equipment – The Company follows the accounting policies with respect to maintenance, repairs, renewals, betterments and retirements as outlined in the Uniform System of Accounts for Telephone Companies prescribed by the FCC. Additions, replacements and renewals of property determined to be units of property are charged to telephone plant accounts. Property retirements are charged in total to the accumulated depreciation reserve accounts. Generally no gain or loss is recognized at the time properties are retired or otherwise disposed. The Company depreciates the cost of property, plant and equipment over their estimated useful lives using composite straight-line rates approved by the Nebraska Public Service Commission. Depreciable lives vary from five years to twenty-five years. For plant acquired prior to 1981, the same depreciation methods are used for financial and income tax reporting purposes. Telephone plant placed in service after 1980 has generally been depreciated using an accelerated method for income tax reporting purposes.

Long-lived assets – The Company would provide for impairment losses on long-lived assets when no longer cost of service regulated, indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

Advertising costs – The Company has elected to expense advertising costs in the period incurred. Advertising costs were [REDACTED] and [REDACTED] for the years ended December 31, 2016 and 2015, respectively.

DILLER TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition – The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide service to subscribers within its defined service territory.

Local network service is recognized over the period a subscriber is connected to the network.

Network access revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based, in part, on a cost separation procedure administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues is billed on an individual company tariff access charge structure based on expense and plant investment of the Company as approved by the state regulatory authority. The tariffs developed from these formulas are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried.

Reported network access revenues are estimates subject to settlement adjustments in the near term resulting from changes in expense and plant investment levels and rate of return experience.

Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at tariffed and contracted rates.

Included in network access service revenues are high cost support funds received from federal and state universal service programs. The high cost support programs provide a significant source of revenue for the Company. The high cost support is intended to assist telecommunications carriers in areas where there is dense terrain, low populations or high fixed expenses of building a telecom network. The interstate and intrastate portion of universal service fund support is subject to continuous reform and scrutiny by regulatory authorities. Recent reform efforts have had a negative impact on the Company's ability to continue to collect high cost support at funding levels comparable to current and prior periods.

Miscellaneous revenues consist primarily of the following: contractually determined arrangements for the provision of billing and collecting services, directory revenue, and rent income.

Income taxes – The Company, with the consent of its shareholder, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholder of an S corporation is taxed on their proportionate share of the company's taxable income.

The Company's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the Company is no longer subject to federal or state income tax examinations for tax years before 2013. The Company files federal and state income tax returns on a calendar year basis. State income tax returns are filed in Kansas and Nebraska.

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DILLER TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Company's most significant accounting estimates relate to depreciation of property, plant and equipment, investment impairment analysis, accounts receivable valuation and year-end settlements with NECA which are based on the projected results of the cost study that will be prepared at a later date. The accounting estimates, by definition, are rarely completely in line with the final outcome. Accordingly, actual results could differ from those estimates.

Sales taxes, surtaxes & regulatory fees – The Company operates in a regulated industry. Sales taxes, specified surtaxes and regulatory fees are imposed on services offered by the Company. The Company collects these taxes and fees and remits the entire amount to the respective taxing authority. The Company's accounting policy is to exclude the taxes and fees collected and remitted to the respective taxing authority from revenue and cost of sales.

Subsequent events – The Company has evaluated all subsequent events through May 16, 2017, the date the financial statements were available to be issued.

NOTE 2

PREPAYMENTS

Prepaid expenses consist of the following as of December 31:

| | 2016 | 2015 |
|------------------------|----------------------|----------------------|
| Prepaid insurance | \$ [REDACTED] | \$ [REDACTED] |
| Other prepaid expenses | [REDACTED] | [REDACTED] |
| <u>Totals</u> | <u>\$ [REDACTED]</u> | <u>\$ [REDACTED]</u> |

See independent accountant's review report.

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DILLER TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 3
INVESTMENTS

Investments consist of the following:

| | Amortized Cost | Gross Unrealized | | Fair Value |
|---|-------------------|------------------|---------------|---------------|
| | | Gains | Losses | |
| December 31, 2016: | | | | |
| Marketable securities: | | | | |
| Equity securities: | | | | |
| Stocks | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] |
| Mutual funds | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Alternative investments | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Debt securities: | | | | |
| Corporate mortgage/asset backed securities | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Total marketable securities</u> | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Nonmarketable securities: | | | | |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Total nonmarketable securities</u> | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Totals</u> | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] |

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**DILLER TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS – Continued**

**NOTE 3
INVESTMENTS – CONTINUED**

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|-------------------|---------------------------|----------------------------|---------------|
| December 31, 2015: | | | | |
| Marketable securities: | | | | |
| Equity securities: | | | | |
| Stocks | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] |
| Mutual funds | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Alternative investments | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Debt securities: | | | | |
| Corporate mortgage/asset backed securities | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Total marketable securities</u> | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Nonmarketable securities: | | | | |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Total nonmarketable securities</u> | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| <u>Totals</u> | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] |

The Company's investments in marketable securities are categorized as available-for-sale and are stated at fair value. When a security is sold, the specific identification method is used to determine the related gain or loss on the sale.

The Company's investments in nonmarketable securities are stated at cost. Management did not identify any events or changes in circumstances that might have a significant adverse effect of the value of nonmarketable securities.

The maturity dates of the corporate mortgage/asset backed securities are due after ten years.

See independent accountant's review report.

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DILLER TELEPHONE COMPANY NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 3 INVESTMENTS – CONTINUED

Fair value of assets measured on a recurring basis are as follows:

| | Fair Value | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|-----------------------|---------------|--|---|---|
| December 31, 2016: | | | | |
| Marketable securities | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] |
| December 31, 2015: | | | | |
| Marketable securities | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] | \$ [REDACTED] |

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active.

NOTE 4 RELATED PARTY TRANSACTIONS

Transactions between the Company and [REDACTED] and its subsidiaries, [REDACTED] and [REDACTED] are summarized as follows:

| | Due from [REDACTED] | |
|-----------------------------|----------------------|----------------------|
| | 2016 | 2015 |
| Balance, January 1 | \$ [REDACTED] | \$ [REDACTED] |
| Additions | [REDACTED] | [REDACTED] |
| Reductions | [REDACTED] | [REDACTED] |
| <u>Balance, December 31</u> | <u>\$ [REDACTED]</u> | <u>\$ [REDACTED]</u> |

The Company has an agreement with [REDACTED] to provide maintenance of plant and equipment, billing services, interim financing and general management of the [REDACTED] business activities. [REDACTED] provides direct broadcasting satellite, cable television and wireless internet services to southeastern Nebraska and northeastern Kansas. [REDACTED] is wholly-owned by [REDACTED] and is engaged in the resale of security systems and various other technological equipment. [REDACTED] is wholly-owned by [REDACTED] and provides long distance services to the Company's customers.

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DILLER TELEPHONE COMPANY NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 4 RELATED PARTY TRANSACTIONS – CONTINUED

In 2014, the shareholders of the Company formed [REDACTED] to be the holding company of the Company and [REDACTED]. There is no amount due between the Company and [REDACTED] at December 31, 2016 or 2015.

[REDACTED] owes the Company [REDACTED] as of December 31, 2016 and [REDACTED] as of December 31, 2015, primarily for wages paid, applicable payroll employer taxes, employer pension contributions, worker's compensation insurance, purchase of long distance services, advances and vehicle costs. There is no interest charged on the balance due.

[REDACTED] owes the Company [REDACTED] as of December 31, 2016 and [REDACTED] as of December 31, 2015, primarily for wages paid, applicable payroll employer taxes, employer pension contributions, worker's compensation insurance, advances and vehicle costs. There is no interest charged on the balance due.

[REDACTED] is a related party through common ownership and control. The Company paid [REDACTED] during 2015 to [REDACTED] for the use of vehicles, office equipment and other work equipment. Formal rental agreements were established between the two entities. Effective January 1, 2016, all lease agreements between the Company and [REDACTED] were terminated. The Company owes [REDACTED] at December 31, 2016.

NOTE 5 PLANT IN SERVICE

The Company's plant in service is stated at original cost. Listed below are the major classes of plant in service:

| | 2016 | 2015 |
|--------------------------------|----------------------|----------------------|
| Land | \$ [REDACTED] | \$ [REDACTED] |
| Motor vehicles | [REDACTED] | [REDACTED] |
| Work equipment | [REDACTED] | [REDACTED] |
| Buildings | [REDACTED] | [REDACTED] |
| Furniture and office equipment | [REDACTED] | [REDACTED] |
| Central office equipment | [REDACTED] | [REDACTED] |
| Station apparatus | [REDACTED] | [REDACTED] |
| Buried plant | [REDACTED] | [REDACTED] |
| Intangibles | [REDACTED] | [REDACTED] |
| <u>Total plant in service</u> | <u>\$ [REDACTED]</u> | <u>\$ [REDACTED]</u> |

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DILLER TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 5
PLANT IN SERVICE– CONTINUED

The Company provides for depreciation on a straight-line basis at annual rates which will amortize the depreciable property over its estimated useful life. Individual plant depreciation rates are as follows:

Motor vehicles
Work equipment
Buildings
Furniture and office equipment
Central office equipment
Station apparatus
Buried plant

[REDACTED]

NOTE 6
LONG-TERM DEBT

The Company obtained a Rural Development loan from the United States Department of Agriculture in 2008. Under the terms of the agreement, the Company borrowed [REDACTED] and concurrently lent [REDACTED] to the [REDACTED] for the purpose of promoting rural economic development. Monthly payments of [REDACTED] began November, 2008. The loan has zero interest, but there is a [REDACTED] administrative fee, paid by the [REDACTED] to the Company, on each payment. Final payment is due in October, 2018.

The maturity of long-term debt is as follows:

| | | |
|--------------|----|-------------------|
| 2017 | \$ | [REDACTED] |
| 2018 | | [REDACTED] |
| <u>Total</u> | \$ | <u>[REDACTED]</u> |

NOTE 7
PROFIT-SHARING PLAN

The Company offers a qualified 401(k) profit-sharing (defined contribution) plan for employees. The Company makes contributions to a trust fund which will provide retirement benefits for qualified employees and certain benefits payable upon death, disability or termination of employment if this should occur prior to retirement. The plan covers all full-time employees who have worked at least [REDACTED] hours for the Company in a year. The Company contributed [REDACTED] and [REDACTED] during 2016 and 2015, respectively. All employees are eligible to make voluntary contributions subject to annual Internal Revenue Code maximum limitations. All employees are [REDACTED] vested.

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DILLER TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS – Continued

NOTE 8
NONOPERATING INCOME AND EXPENSE – NET

Nonoperating income and expense consists of the following at December 31:

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Dividend income | \$ [REDACTED] | \$ [REDACTED] |
| Interest income | [REDACTED] | [REDACTED] |
| Gain on donation of stock | [REDACTED] | [REDACTED] |
| Miscellaneous income (expense) – net | [REDACTED] | [REDACTED] |
| Special charges | [REDACTED] | [REDACTED] |
| <u>Nonoperating income and expense – net</u> | <u>\$ [REDACTED]</u> | <u>\$ [REDACTED]</u> |

NOTE 9
CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash, investments and accounts receivable. The Company restricts investment of cash to financial institutions with high credit standing. Accounts receivable are due primarily from interexchange carriers, related parties, subscribers and related customers located in southeast Nebraska and northeastern Kansas.

Deposits and investments in financial institutions were [REDACTED] of deposit insurance guarantees by [REDACTED] as of December 31, 2016. The Company has never experienced any losses on its deposits and investments in these financial institutions.

NOTE 10
COMPARATIVE DATA

Certain information presented in the "2015" column has been reclassified from last year's financial statements in order to present it on a comparative basis with data presented for the year ended December 31, 2016.

See independent accountant's review report.